

Pewamo-Westphalia Community Schools

Pewamo, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

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Pewamo-Westphalia Community Schools
Members of the Board of Education and Administration
June 30, 2008

Members of the Board of Education

Kathy Wood – President

Phil Stoddard – Vice President

Kimberly Thelen – Secretary

Ruth Schueller – Treasurer

James Hefron – Trustee

Leanne O'Brien – Trustee

Russ Snitgen – Trustee

Administration

Ron Simon – Superintendent

Jody McKean – High School and Junior High Principal

George Heckman – Elementary Principal



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Independent Auditors' Report

To the Board of Education
Pewamo-Westphalia Community Schools
Pewamo, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pewamo-Westphalia Community Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pewamo-Westphalia Community Schools' administration. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pewamo-Westphalia Community Schools as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2008, on our consideration of the Pewamo-Westphalia Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of the administration regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pewamo-Westphalia Community Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
August 26, 2008

ADMINISTRATION 'S DISCUSSION AND ANALYSIS

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

This section of the 2008 annual report presents our discussion and analysis of Pewamo-Westphalia Community Schools (the District) financial performance during the year ended June 30, 2008. The purpose of this section is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the subsequent years' challenges. Please read our District's discussion and analysis in conjunction with the School District's financial statements, which immediately follows this section.

Using this Annual Report

The annual report consists of a series of financial statements and note to those statements. These statements are organized so the reader can understand Pewamo-Westphalia Community Schools financially as a whole. The financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and long-term view of those finances. The fund financial statements proved the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The financial statements look at the School District's operations in more detail than the financial statements by providing information about the School District's most significant fund, the General Fund. All other funds with the exception of Fiduciary funds are presented in one column as nonmajor funds. The Schools District's fiduciary funds are reported separately and present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Administration's Discussion and Analysis - (Required Supplemental Information)

- Basic Financial Statements
 1. District-wide Financial Statements
 2. Fund Financial Statements
 3. Fiduciary Fund
 4. Notes to the Financial Statements
- Required Supplemental Information – Budgetary Information for General Fund
- Other Supplemental Information
 1. Nonmajor Government Funds Combining Balance Sheet
 2. Nonmajor Government Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 3. Statement of Outstanding Bonded Indebtedness

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

District Wide Financial Statements

One of the most important questions asked about the School district is, "What is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Pewamo-Westphalia Community Schools net assets, which is the difference between assets and liabilities, as reported in the statement of net assets, as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the statement of activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operation results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. Many other nonfinancial factors, such as the scope and quality of the education provided, as well as the safety of the students and schools, must be considered to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities. .

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes, such as the Food Services and Athletics Funds. By definition, the General Fund is the only fund that qualifies to be classified as a major fund. The governmental funds of the School District use the following accounting approach:

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship between governmental activities and governmental funds in a reconciliation format in the financial section on page 4-3.

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

Financial Analysis of the District as a Whole

Summary of Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets		
Current Assets	\$ 2,663,316	\$ 2,383,279
Capital Assets	17,598,701	17,679,933
Less accumulated depreciation	<u>(4,613,800)</u>	<u>(4,279,952)</u>
Capital assets, net book value	<u>12,984,901</u>	<u>13,399,981</u>
 Total Assets	 <u>15,648,217</u>	 <u>15,783,260</u>
Liabilities		
Current liabilities	3,024,471	2,766,389
Long-term liabilities	<u>11,398,420</u>	<u>11,858,485</u>
 Total liabilities	 14,422,891	 14,624,874
Net Assets		
Total capital assets, net of related debt	3,759,901	1,251,930
Restricted	153,355	31,522
Unrestricted (deficit)	<u>(2,687,930)</u>	<u>(125,066)</u>
 Total net assets	 <u>\$ 1,225,326</u>	 <u>\$ 1,158,386</u>

Summary of Net Assets

As indicated by the statement, total net assets as of June 30, 2008 and 2007 are \$1,225,326 and \$1,158,386, respectively. Net assets can be separated into three categories: net capital assets net of related debt, restricted assets, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The cost of capital assets as of June 30, 2008 is \$17,598,701, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. At June 30, 2008 total accumulated depreciation totaled \$4,613,800. Most capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters. General obligation bonds total \$9,225,000. Net assets unrestricted as of June 30, 2008 total \$(2,687,930) and total capital assets, net of related debt totaled \$3,759,901. These balances changed significantly due to change in methodology for calculating total assets, net of related debt. The Districts operating results also directly affect this balance each year.

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

Statement of Activities

Revenues	<u>June 30, 2008</u>	<u>June 30, 2007</u>
General Revenues		
Property taxes	1,147,271	1,061,286
State of Michigan unrestricted foundation aid	4,789,288	4,637,809
Interest and investment earnings	47,267	52,749
Gain on sale of capital assets	3,500	-
Other general revenues	<u>53,548</u>	<u>44,635</u>
Total general revenues	<u>6,040,874</u>	<u>5,796,479</u>
Operating Grants		
Instruction	198,539	209,161
Other operating grants	<u>57,672</u>	<u>59,688</u>
Total operating grants	<u>256,211</u>	<u>268,849</u>
Charges for services		
Instruction	163,319	157,086
Food Service	183,215	186,724
Athletics	<u>144,696</u>	<u>103,907</u>
Total charges for services	<u>491,230</u>	<u>447,717</u>
Total Revenues	<u>6,788,315</u>	<u>6,513,045</u>
Expenses		
Instruction	3,395,731	3,305,140
Supporting Services	2,243,628	2,153,587
Food Services	268,782	273,258
Athletics	244,741	215,617
Interest on long-term debt	<u>568,493</u>	<u>520,049</u>
Total expenses	<u>6,721,375</u>	<u>6,467,651</u>
Increase (decrease) in net assets	66,940	45,394
Beginning net assets	<u>1,158,386</u>	<u>1,112,992</u>
Ending net assets	<u>1,225,326</u>	<u>1,158,386</u>

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

Summary of Statement of Activities - continued

As reported in the statement of activities, the cost of all governmental activities this year was \$6,721,375, an increase of \$253,724 or 3.9% from 2006-2007. Certain activities were partially funded from those who benefited from the programs of \$491,230 or by other governments and organization that subsidized certain programs with grants and contributions of \$256,211. The remaining "public benefit" portion of governmental activities was funded with \$1,147,271 in taxes, \$4,789,288 in State aid allowance, and other miscellaneous revenues including interest and investment earnings. Total revenues in 2007-08 were \$6,788,315, an increase \$275,270 from 2006-2007.

Pewamo-Westphalia Community Schools experienced an increase from 2006-2007 in net assets of \$21,546 primarily as a result of ongoing operations in the Schools District. In addition, long-term debt decreased by \$550,000 of government obligation bond payments in 2007-2008.

As discussed above, the net cost shows the financial burden that was placed on the State and the Pewamo-Westphalia Community Schools taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operation revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State prescribed available unrestricted revenues.

School Districts Funds

As noted earlier, the Pewamo-Westphalia Community Schools uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Pewamo-Westphalia Community Schools is being held accountable for the resources taxpayers and other provide to it any give more insight into the School Districts overall financial health. As the School district completed this year, the governmental funds reported a combined fund balance of \$689,069, and increase of \$196,831 from the prior year. The changes in major and nonmajor funds are as follows:

	General Fund	Other Nonmajor Funds	Government Fund Totals
Fund Balances - Beginning of year	\$ 365,288	\$ 126,950	\$ 492,238
Increase (decrease)	<u>39,792</u>	<u>157,039</u>	<u>196,831</u>
Fund Balance - End of year	<u><u>\$ 405,080</u></u>	<u><u>\$ 283,989</u></u>	<u><u>\$ 689,069</u></u>

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

School District Funds - continued

In the General Fund, our principal operation fund, the fund balance increased \$39,792 from \$365,288 in 2006-2007 to \$405,080 in 2007-2008. Revenues and other financing sources increased \$181,942 or 3.3% from the prior year. This increase in revenue was primarily due to a \$92 increase in the State Aid Foundation and an increase in student enrollment of 15 students. Miscellaneous other revenues increased modestly and account for the remaining increase in revenues. Total expenditures and financing uses increased \$266,246 or 5.1% over last year. Salaries and benefits represent \$160,433 or 60.2% of this increase. The increase in salaries reflects a step increase and 2% wage increase. Health insurance increased 6.7% over last year. Diesel fuel increased \$24,300 or 50% due to significantly higher prices. Other financing uses increased \$46,000 resulting from a \$45,000 transfer to the public improvement fund. Utilities also increased \$9,000 over last year reflecting higher utility rates. Contracted service for substitute teachers increased \$9,500 over last year due to an extended sick leave. General increases in other miscellaneous accounts make up the remaining \$18,013 difference.

The fund balance of the General Fund is available to fund costs related to allowable school operation purposes. General fund balance as a percentage of total expenditures and financing uses is 7.4%

Total fund balance for nonmajor funds increased \$157,039 over last year. This increase is primarily due to an increase in debt service fund balance and public improvement funding balance totaling \$121,833 and \$41,255, respectively. Nonmajor funds include the Food Service fund, Athletic fund, Debt Service funds and the Public Improvement fund. Debt service millage rates are reviewed annually to ensure that the School District accumulates sufficient resources to pay annual bond issue related debt service.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that the expenditures do not exceed appropriations. The final amendment to the budget was adopted in May 2008. A schedule showing the Schools District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information in these financial statements. Because the district receives over 85% of its revenue from the State of Michigan and because the State's ability to fund public schools is contingent upon the State tax collections the district continues to budget conservatively.

Several changes were made to the originally adopted 2007-2008 General Fund budget. Total revenues increased \$183,775 or 3.4% over the original adopted budget. This increase was primarily due to an increase in student enrollment and an increase in the state aid foundation that totaled \$92 per student. Total expenditures and financing uses increased \$25,491. This increase was the result of changes in estimates for salaries and benefits, cost of supplies and purchased services, and other expenses in the operating plan of the School District.

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the District had investments in Net Capital Assets totaling \$12,984,901. The following schedule discloses the total gross assets by major category:

Assets	2008	2007
Land	\$ 115,000	\$ 115,000
Buildings and additions	16,000,764	16,000,764
Site Improvements	110,066	110,066
Buses and other vehicles	479,395	560,627
Furniture and equipment	<u>893,476</u>	<u>893,476</u>
Subtotal	17,598,701	17,679,933
Less accumulated depreciation	<u>(4,613,800.)</u>	<u>(4,279,952)</u>
Net Capital Assets	<u>\$12,984,901</u>	<u>\$ 13,399,981</u>

Debt

At the end of current year, the District had bonded debt outstanding totaling \$9,225,000 compared to \$9,775,000 the previous year. This represents a decrease of \$550,000 from last year.

Other School District debt obligations are presented in more detail in the notes to the financial statements.

Pewamo-Westphalia Community Schools
Administration's Discussion and Analysis
Year Ended June 30, 2008

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School Districts 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation allowance revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25% of the February 2008 and 75% of the September 2008 student counts. The 2008-2009 budget was adopted in June 2008 based on a blended student membership count of 700. Approximately 90 percent of the total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. If actual State revenues are less than their estimates, reduction to the per-pupil funding allowance may be necessary. In July 2008 the State passed a State Aid bill for 2008-2009 calling for an increase in foundation ranging from \$56 - \$112 per pupil. The School District's projected a \$100 increase in foundation. The anticipated increased in foundation based on the July 2008 State Aid bill is \$107.

Request for Information

This financial report is designed to provide a general overview of the Pewamo-Westphalia Community Schools finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Pewamo-Westphalia Community Schools Central Office, 5101 Clintonia Road, Westphalia, MI 48894.

BASIC FINANCIAL STATEMENTS

Pewamo-Westphalia Community Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash	\$ 528,897
Accounts receivable	6,162
Due from other governmental units	896,217
Inventory	6,408
Investments	1,020,370
Prepaid items	6,743
Other assets	198,519
Capital assets not being depreciated	115,000
Capital assets - net of accumulated depreciation	<u>12,869,901</u>
 Total assets	 <u>15,648,217</u>

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 109,223
State aid anticipation note payable	1,200,000
Payroll deductions and withholdings	65,114
Accrued expenditures	749,809
Accrued salaries payable	346,893
Noncurrent liabilities	
Due within one year	553,432
Due in more than one year	<u>11,398,420</u>
Total liabilities	<u>14,422,891</u>
Net Assets	
Invested in capital assets, net of related debt	3,759,901
Restricted for:	
Debt service	153,355
Unrestricted (deficit)	<u>(2,687,930)</u>
Total net assets	<u>\$ 1,225,326</u>

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 3,395,731	\$ 163,319	\$ 198,539	\$ -	\$ (3,033,873)
Supporting services	2,243,628	-	-	-	(2,243,628)
Food services	268,782	183,215	57,672	-	(27,895)
Athletic activities	244,741	144,696	-	-	(100,045)
Interest on long-term debt	568,493	-	-	-	(568,493)
Total governmental activities	<u>\$ 6,721,375</u>	<u>\$ 491,230</u>	<u>\$ 256,211</u>	<u>\$ -</u>	<u>(5,973,934)</u>
General revenues					
Property taxes, levied for general purposes					237,507
Property taxes, levied for debt service					909,764
State aid - unrestricted					4,789,288
Interest and investment earnings					47,267
Gain on sale of capital assets					3,500
Other					<u>53,548</u>
Total general revenues					<u>6,040,874</u>
Change in net assets					66,940
Net assets - beginning (restated)					<u>1,158,386</u>
Net assets - ending					<u>\$ 1,225,326</u>

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 287,108	\$ 241,789	\$ 528,897
Accounts receivable	6,162	-	6,162
Due from other funds	-	55,100	55,100
Due from other governmental units	893,901	2,316	896,217
Inventory	-	6,408	6,408
Investments	1,020,370	-	1,020,370
Prepaid items	5,809	934	6,743
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,213,350</u>	<u>\$ 306,547</u>	<u>\$ 2,519,897</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 109,223	\$ -	\$ 109,223
State aid anticipation note payable	1,200,000	-	1,200,000
Due to other funds	55,100	-	55,100
Payroll deductions and withholdings	60,384	4,730	65,114
Accrued expenditures	52,912	1,586	54,498
Accrued salaries payable	330,651	16,242	346,893
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,808,270</u>	<u>22,558</u>	<u>1,830,828</u>
Fund Balance			
Reserved for inventory	-	6,408	6,408
Reserved for prepaid items	5,809	934	6,743
Reserved for debt service	-	153,355	153,355
Designated for capital projects	-	87,151	87,151
Other undesignated	399,271	36,141	435,412
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>405,080</u>	<u>283,989</u>	<u>689,069</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 2,213,350</u>	<u>\$ 306,547</u>	<u>\$ 2,519,897</u>

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
to Net Assets of Governmental Activities
June 30, 2008

Total fund balances for governmental funds	\$ 689,069
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	115,000
Capital assets - net of accumulated depreciation	12,869,901
Other long-term assets are not deferred in the governmental funds.	198,519
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(695,311)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(52,299)
Bonds payable	(9,286,770)
School bond loan payable	(2,491,830)
Other liabilities	<u>(120,953)</u>
Net assets of governmental activities	<u>\$ 1,225,326</u>

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 341,890	\$ 1,191,629	\$ 1,533,519
State sources	4,928,411	15,123	4,943,534
Federal sources	59,416	58,705	118,121
Interdistrict sources	<u>155,117</u>	<u>25,000</u>	<u>180,117</u>
Total revenues	<u>5,484,834</u>	<u>1,290,457</u>	<u>6,775,291</u>
Expenditures			
Current			
Education			
Instruction	3,185,191	-	3,185,191
Supporting services	2,095,570	-	2,095,570
Food services	-	268,782	268,782
Athletic activities	-	231,752	231,752
Capital outlay	12,305	4,331	16,636
Debt service			
Principal	-	550,000	550,000
Interest and other expenditures	<u>-</u>	<u>398,740</u>	<u>398,740</u>
Total expenditures	<u>5,293,066</u>	<u>1,453,605</u>	<u>6,746,671</u>
Excess (deficiency) of revenues over expenditures	<u>191,768</u>	<u>(163,148)</u>	<u>28,620</u>

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Proceeds from school bond loan fund	-	155,187	155,187
Insurance recoveries	9,524	-	9,524
Proceeds from sale of capital assets	3,500	-	3,500
Transfers in	10,000	175,000	185,000
Transfers out	<u>(175,000)</u>	<u>(10,000)</u>	<u>(185,000)</u>
 Total other financing sources (uses)	 <u>(151,976)</u>	 <u>320,187</u>	 <u>168,211</u>
 Net change in fund balance	 39,792	 157,039	 196,831
 Fund balance - beginning	 <u>365,288</u>	 <u>126,950</u>	 <u>492,238</u>
 Fund balance - ending	 <u>\$ 405,080</u>	 <u>\$ 283,989</u>	 <u>\$ 689,069</u>

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds	\$ 196,831
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(422,060)
Capital outlay	6,980

Expenses are recorded when incurred in the statement of activities.

Interest	(157,348)
Early retirement incentives payable	48,449
Compensated absences	11,680

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt issued	(155,187)
Repayments of long-term debt	550,000
Amortization bond issuance costs	(12,405)

Change in net assets of governmental activities	\$ 66,940
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Pewamo-Westphalia Community Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 10,136	<u>\$ 151,526</u>
Liabilities		
Due to agency fund activities	<u>-</u>	<u>\$ 151,526</u>
Net Assets		
Reserved for scholarships and loans	<u>\$ 10,136</u>	

See Accompanying Notes to Financial Statements

Pewamo-Westphalia Community Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and investment earnings	\$ 486
Deductions	
Scholarships	<u>350</u>
Change in net assets	136
Net assets - beginning	<u>10,000</u>
Net assets - ending	<u>\$ 10,136</u>

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pewamo-Westphalia Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Capital Projects Fund – The Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is

kept open until the purpose for which the fund was created has been accomplished.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2008, the rates are as follows per \$1,000 of assessed value.

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

General Fund	
Nonhomestead	18.00
Debt Service Funds	
Homestead	7.00
Nonhomestead	7.00

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 84% of the School District's tax roll lies within the Townships of Westphalia and Lyons.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Counties of Ionia and Clinton and remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with

an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Sick days are earned by most employees at the rate of eleven days per year. A maximum of 120 sick days may be accumulated by an employee. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum of 120 days and at a rate determined by their job category. There is no contractual provision for payment of unused vacation. They may be used for vacation only. The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive sick payments upon termination, are included. The amount reported is salary related and includes no fringe benefits since the amount of said benefits would be immaterial.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current

value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil transportation services	\$ 371,453	\$ 391,088	\$ 19,635
Transfers out	165,000	175,000	10,000

NOTE 3 - DEPOSITS AND INVESTMENTS

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 528,897	\$ 161,662	\$ 690,559
Investments	1,020,370	-	1,020,370
	<u>\$ 1,549,267</u>	<u>\$ 161,662</u>	<u>\$ 1,710,929</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 690,423
Investments in securities, mutual funds, and similar vehicles	<u>1,020,370</u>
Total	<u>\$ 1,710,793</u>

As of year end, the District had the following investments:

Investment	Fair Value	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 1,020,370	AAA	S&P

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$470,768 of the District's bank

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

balance of \$589,451 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments of \$1,020,370 were exposed to custodial risk because they are uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Capital assets being depreciated				
Buildings and additions	16,000,764	-	-	16,000,764
Site improvements	110,066	-	-	110,066
Equipment and furniture	893,476	-	-	893,476
Buses and other vehicles	560,627	6,980	88,212	479,395
Total capital assets being depreciated	17,564,933	6,980	88,212	17,483,701
Less accumulated depreciation for				
Buildings and additions	3,137,724	319,015	-	3,456,739
Site improvements	13,757	5,503	-	19,260
Equipment and furniture	618,638	78,074	-	696,712
Buses and other vehicles	509,833	19,468	88,212	441,089
Total accumulated depreciation	4,279,952	422,060	88,212	4,613,800
Net capital assets being depreciated	13,284,981	(415,080)	-	12,869,901
Net capital assets	\$ 13,399,981	\$ (415,080)	\$ -	\$ 12,984,901

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 245,442
Support services	163,629
Athletic activities	12,989
Total governmental activities	\$ 422,060

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at year end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 10,100
Pubic Improvement Fund	General Fund	45,000
		<u>\$ 55,100</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, between the General Fund and the Athletic Fund, and the Debt Service Funds totaling \$185,000. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities and transfer of monies between the debt funds.

NOTE 6 – OPERATING LEASE

The District has entered into an operating lease with MMNET for internet service. It is a one year lease, automatically renewable contingent upon funding availability. Total annual charge is \$21,420 for the period of July 1, 2007 through June 30, 2008.

NOTE 7 - STATE AID ANTICIPATION NOTE

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund.

These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 9,775,000	\$ -	\$ 550,000	\$ 9,225,000	\$ 550,000
Other bonds	36,408	-	-	36,408	3,432
School Bond Loan	2,336,643	155,187	-	2,491,830	-
Compensated absences	63,979	-	11,680	52,299	-
Retirement incentives	169,402	-	48,449	120,953	-
Premium on bonds	27,053	-	1,691	25,362	-
Deferred amount on refunding	(212,615)	-	(14,096)	(198,519)	-
Total	<u>\$ 12,195,870</u>	<u>\$ 155,187</u>	<u>\$ 597,724</u>	<u>\$ 11,753,333</u>	<u>\$ 553,432</u>

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

General obligation bonds payable at year end, consists of the following:

\$6,400,000 serial bond due in annual installments of \$250,000 through May 1, 2028, interest at 3.0% to 4.8%	\$ 5,000,000
\$4,585,000 serial bond due in annual installments of \$260,000 to \$300,000 through May 1, 2023, interest at 3.0% to 5.0%	<u>4,225,000</u>
Total general obligation bonded debt	<u>\$ 9,225,000</u>

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 550,000	381,067	\$ 931,067
2010	545,000	362,442	907,442
2011	540,000	343,618	883,618
2012	540,000	324,717	864,717
2013	535,000	305,568	840,568
2014-2018	2,670,000	1,183,525	3,853,525
2019-2023	2,595,000	629,998	3,224,998
2024-2028	<u>1,250,000</u>	<u>179,125</u>	<u>1,429,125</u>
Total	<u>\$ 9,225,000</u>	<u>\$ 3,710,060</u>	<u>\$ 12,935,060</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$153,355 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$61,661 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 36,408</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 3,432	\$ 899	\$ 4,331
2010	3,595	735	4,330
2011	3,766	564	4,330
2012	3,945	385	4,330
2013	<u>21,670</u>	<u>7,423</u>	<u>29,093</u>
Total	<u>\$ 36,408</u>	<u>\$ 10,006</u>	<u>\$ 46,414</u>

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. During 1997, the School District issued \$7,135,000 in bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.5 mills, but instead the election permitted the School District to extend this levy through the year 2025. Since the monies generated by the 7.5 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$2,491,830 to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the 1997 bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$155,187 and had an outstanding

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

balance at year of \$3,123,342, from the State School Bond Loan Fund. This balance included \$631,512 of accrued interest. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at year end, consists of \$52,299 of accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Retirement Benefits

The School District has a termination policy for employees who have worked at the district for 10 years or more. Employees are paid an amount equal to a percentage of their current salary at the time of termination. The balance as of year end was \$120,953.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$43,959 and \$398,177, respectively.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2005 through June 30, 2008.

	2008	2007	2006
Funding percentage range	16.72 -17.74%	16.34 - 17.74%	14.8 - 16.34%
Total payroll	3,256,547	3,211,109	3,307,033
Total covered payroll	3,181,288	3,127,065	3,216,944
School contributions	539,954	544,511	514,170
Employee MIP contributions	96,169	86,964	85,540
Portion of school contribution covering health, dental and vision benefits	39%	37%	40%

Trend Information

Ten-year historical trend information is presented in the September 30, 2007, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2006, the latest date for which information is available, approximates \$ 49.1 billion and \$ 43.0 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2007.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision

benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2007, statewide expenditures of \$ 654 million were recognized for post-retirement health care, dental and vision. This represented approximately 18% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 11 -CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE 12 -PRIOR PERIOD ADJUSTMENT

The June 30, 2007 financial statements did not include \$53,376 of capital assets purchased in 2004. Related depreciation expense that should have been taken was \$20,016. This omission caused net assets to be understated by \$33,360. The net assets at July 1, 2007 were restated to correct this omission.

Net assets – beginning of year	\$1,125,026
Correction for capital assets	<u>33,360</u>
Net assets – beginning of year (restated)	<u>\$1,158,386</u>

Pewamo-Westphalia Community Schools
Notes to Financial Statements
June 30, 2008

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2008, the School District has paid the balance of the \$1,200,000 and accrued interest on the short-term state aid anticipation note borrowed in August of 2007 and has subsequently borrowed \$1,200,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District August of 2008.

REQUIRED SUPPLEMENTAL INFORMATION

Pewamo-Westphalia Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 308,899	\$ 335,019	\$ 341,890	\$ 6,871
State sources	4,764,028	4,925,632	4,928,411	2,779
Federal sources	64,890	53,947	59,416	5,469
Interdistrict sources	148,500	155,494	155,117	(377)
Total revenues	5,286,317	5,470,092	5,484,834	14,742
Expenditures				
Instruction				
Basic programs	2,684,740	2,621,738	2,614,727	(7,011)
Added needs	504,633	579,527	570,464	(9,063)
Supporting services				
Pupil	178,380	148,083	148,011	(72)
Instructional support	130,420	148,480	145,465	(3,015)
General administration	241,360	232,810	231,292	(1,518)
School administration	341,375	358,529	353,715	(4,814)
Business	142,450	135,724	135,529	(195)
Operations and maintenance	613,310	600,915	600,893	(22)
Pupil transportation services	340,510	371,453	391,088	19,635
Central	87,790	93,570	89,577	(3,993)
Intergovernmental payments	6,000	-	-	-
Capital outlay	7,000	12,630	12,305	(325)
Total expenditures	5,277,968	5,303,459	5,293,066	(10,393)
Excess of revenues over expenditures	8,349	166,633	191,768	25,135

Pewamo-Westphalia Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Insurance recoveries	9,500	9,524	9,524	-
Proceeds from sale of capital assets	-	3,500	3,500	-
Transfers in	10,000	10,000	10,000	-
Transfers out	<u>(140,000)</u>	<u>(165,000)</u>	<u>(175,000)</u>	<u>(10,000)</u>
Total other financing uses	<u>(120,500)</u>	<u>(141,976)</u>	<u>(151,976)</u>	<u>(10,000)</u>
Net change in fund balance	(112,151)	24,657	39,792	15,135
Fund balance - beginning	<u>365,288</u>	<u>365,288</u>	<u>365,288</u>	<u>-</u>
Fund balance - ending	<u>\$ 253,137</u>	<u>\$ 389,945</u>	<u>\$ 405,080</u>	<u>\$ 15,135</u>

OTHER SUPPLEMENTAL INFORMATION

Pewamo-Westphalia Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Athletics	2002 Issue	2005 Refunding	Public Improvement Fund	
Assets						
Cash	\$ 13,029	\$ 33,254	\$ 91,406	\$ 61,949	\$ 42,151	\$ 241,789
Due from other funds	10,100	-	-	-	45,000	55,100
Due from other governmental units	2,316	-	-	-	-	2,316
Inventory	6,408	-	-	-	-	6,408
Prepaid items	934	-	-	-	-	934
Total assets	\$ 32,787	\$ 33,254	\$ 91,406	\$ 61,949	\$ 87,151	\$ 306,547
Liabilities and Fund Balance						
Liabilities						
Payroll deductions and withholdings	\$ 3,651	\$ 1,079	\$ -	\$ -	\$ -	\$ 4,730
Accrued expenditures	1,586	-	-	-	-	1,586
Accrued salaries payable	14,379	1,863	-	-	-	16,242
Total liabilities	19,616	2,942	-	-	-	22,558
Fund Balance						
Reserved for inventory	6,408	-	-	-	-	6,408
Reserved for prepaid items	934	-	-	-	-	934
Reserved for debt service	-	-	91,406	61,949	-	153,355
Designated for capital projects	-	-	-	-	87,151	87,151
Other undesignated	5,829	30,312	-	-	-	36,141
Total fund balance	13,171	30,312	91,406	61,949	87,151	283,989
Total liabilities and fund balance	\$ 32,787	\$ 33,254	\$ 91,406	\$ 61,949	\$ 87,151	\$ 306,547

Pewamo-Westphalia Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>2002 Issue</u>	<u>2005 Refunding</u>	<u>Public Improvement Fund</u>	
Revenues						
Local sources	\$ 167,432	\$ 108,225	\$ 457,728	\$ 457,658	\$ 586	\$ 1,191,629
State sources	15,123	-	-	-	-	15,123
Federal sources	58,705	-	-	-	-	58,705
Interdistrict sources	25,000	-	-	-	-	25,000
Total revenues	<u>266,260</u>	<u>108,225</u>	<u>457,728</u>	<u>457,658</u>	<u>586</u>	<u>1,290,457</u>
Expenditures						
Current						
Education						
Food services	268,782	-	-	-	-	268,782
Athletic activities	-	231,752	-	-	-	231,752
Capital outlay	-	-	-	-	4,331	4,331
Debt service	-	-	-	-	-	-
Principal	-	-	250,000	300,000	-	550,000
Interest and other expenditures	-	-	220,341	178,399	-	398,740
Total expenditures	<u>268,782</u>	<u>231,752</u>	<u>470,341</u>	<u>478,399</u>	<u>4,331</u>	<u>1,453,605</u>
Deficiency of revenues over expenditures	<u>(2,522)</u>	<u>(123,527)</u>	<u>(12,613)</u>	<u>(20,741)</u>	<u>(3,745)</u>	<u>(163,148)</u>
Other Financing Sources (Uses)						
Proceeds from school bond loan fund	-	-	87,369	67,818	-	155,187
Transfers in	-	130,000	-	-	45,000	175,000
Transfers out	-	(10,000)	-	-	-	(10,000)
Total other financing sources (uses)	<u>-</u>	<u>120,000</u>	<u>87,369</u>	<u>67,818</u>	<u>45,000</u>	<u>320,187</u>
Net change in fund balance	<u>(2,522)</u>	<u>(3,527)</u>	<u>74,756</u>	<u>47,077</u>	<u>41,255</u>	<u>157,039</u>
Fund balance - beginning	<u>15,693</u>	<u>33,839</u>	<u>16,650</u>	<u>14,872</u>	<u>45,896</u>	<u>126,950</u>
Fund balance - ending	<u>\$ 13,171</u>	<u>\$ 30,312</u>	<u>\$ 91,406</u>	<u>\$ 61,949</u>	<u>\$ 87,151</u>	<u>\$ 283,989</u>

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2008

	2008	2007
Assets		
Cash	\$ 287,108	\$ 102,563
Accounts receivable	6,162	-
Due from other governmental units	893,901	808,321
Investments	1,020,370	1,031,662
Prepaid items	<u>5,809</u>	<u>83,272</u>
 Total assets	 <u>\$ 2,213,350</u>	 <u>\$ 2,025,818</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 109,223	\$ 44,203
State aid anticipation note payable	1,200,000	1,200,000
Due to other funds	55,100	-
Payroll deductions and withholdings	60,384	55,596
Accrued expenditures	52,912	53,138
Accrued salaries payable	<u>330,651</u>	<u>307,593</u>
 Total liabilities	 <u>1,808,270</u>	 <u>1,660,530</u>
 Fund Balance		
Reserved for prepaid items	5,809	83,272
Other undesignated	<u>399,271</u>	<u>282,016</u>
 Total fund balance	 <u>405,080</u>	 <u>365,288</u>
 Total liabilities and fund balance	 <u>\$ 2,213,350</u>	 <u>\$ 2,025,818</u>

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 232,399	\$ 237,619	\$ 237,507	\$ (112)
Transportation fees	4,000	3,500	8,202	4,702
Earnings on investments	30,000	40,000	39,936	(64)
Student activities	36,000	37,000	37,423	423
Other local revenues	6,500	16,900	18,822	1,922
Total revenues from local sources	<u>308,899</u>	<u>335,019</u>	<u>341,890</u>	<u>6,871</u>
Revenues from state sources				
Grants - unrestricted	4,627,162	4,789,181	4,789,288	107
Grants - restricted	<u>136,866</u>	<u>136,451</u>	<u>139,123</u>	<u>2,672</u>
Total revenues from state sources	<u>4,764,028</u>	<u>4,925,632</u>	<u>4,928,411</u>	<u>2,779</u>
Revenues from federal sources				
Grants	<u>64,890</u>	<u>53,947</u>	<u>59,416</u>	<u>5,469</u>
Interdistrict sources				
ISD collected millage	37,000	36,994	36,994	-
Cooperative education	110,000	117,000	115,953	(1,047)
Other	<u>1,500</u>	<u>1,500</u>	<u>2,170</u>	<u>670</u>
Total interdistrict sources	<u>148,500</u>	<u>155,494</u>	<u>155,117</u>	<u>(377)</u>
Other financing sources				
Insurance recoveries	\$ 9,500	\$ 9,524	\$ 9,524	\$ -
Proceeds from sale of capital assets	-	3,500	3,500	-
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources	<u>19,500</u>	<u>23,024</u>	<u>23,024</u>	<u>-</u>
Total revenue and other financing sources	<u>\$ 5,305,817</u>	<u>\$ 5,493,116</u>	<u>\$ 5,507,858</u>	<u>\$ 14,742</u>

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 690,800	\$ 702,610	\$ 701,729	\$ (881)
Employee benefits	315,480	324,332	328,225	3,893
Purchased services	4,700	6,700	5,454	(1,246)
Supplies and materials	13,500	13,500	12,903	(597)
Other	15,000	15,000	11,960	(3,040)
Total elementary	1,039,480	1,062,142	1,060,271	(1,871)
Basic program - middle school				
Salaries	425,800	333,200	331,979	(1,221)
Employee benefits	189,460	147,650	146,303	(1,347)
Supplies and materials	100	2,100	1,884	(216)
Other	300	300	-	(300)
Total middle school	615,660	483,250	480,166	(3,084)
Basic program - high school				
Salaries	663,500	689,800	686,284	(3,516)
Employee benefits	282,800	302,490	301,705	(785)
Purchased services	10,200	11,300	12,367	1,067
Supplies and materials	31,700	26,750	27,156	406
Other	41,400	46,006	46,778	772
Total high school	1,029,600	1,076,346	1,074,290	(2,056)

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - special education				
Salaries	\$ 216,191	\$ 219,856	\$ 217,597	\$ (2,259)
Employee benefits	102,510	104,294	103,445	(849)
Purchased services	600	600	1,171	571
Supplies and materials	4,300	3,900	6,811	2,911
Other	4,000	19,000	11,722	(7,278)
Total special education	327,601	347,650	340,746	(6,904)
Added needs - compensatory education				
Salaries	53,200	51,200	51,042	(158)
Employee benefits	21,515	22,720	20,997	(1,723)
Supplies and materials	300	300	34	(266)
Total compensatory education	75,015	74,220	72,073	(2,147)
Added needs - career and technical education				
Salaries	52,100	86,745	86,544	(201)
Employee benefits	25,417	41,636	41,319	(317)
Purchased services	-	-	31	31
Supplies and materials	-	5,504	4,179	(1,325)
Other	24,500	23,772	25,572	1,800
Total career and technical education	102,017	157,657	157,645	(12)

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - guidance services				
Salaries	\$ 117,400	\$ 104,020	\$ 106,506	\$ 2,486
Employee benefits	42,880	34,963	35,364	401
Purchased services	8,000	5,100	3,538	(1,562)
Supplies and materials	3,100	1,000	294	(706)
Other	7,000	3,000	2,309	(691)
Total guidance services	178,380	148,083	148,011	(72)
Instructional support - improvement of education				
Purchased services	10,500	18,500	17,402	(1,098)
Supplies and materials	100	-	-	-
Other	-	11,000	10,723	(277)
Total improvement of education	10,600	29,500	28,125	(1,375)
Instructional support - educational media services				
Salaries	72,530	72,530	72,371	(159)
Employee benefits	38,790	38,800	38,497	(303)
Purchased services	3,500	3,350	2,769	(581)
Supplies and materials	5,000	4,300	3,703	(597)
Total educational media services	119,820	118,980	117,340	(1,640)
General administration - board of education				
Salaries	1,500	1,500	915	(585)
Employee benefits	115	115	70	(45)
Purchased services	42,800	30,850	30,306	(544)
Supplies and materials	4,975	4,975	6,329	1,354
Other	6,000	6,000	5,230	(770)
Total board of education	55,390	43,440	42,850	(590)

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
General administration - executive administration				
Salaries	\$ 117,810	\$ 117,810	\$ 117,800	\$ (10)
Employee benefits	62,660	61,060	63,474	2,414
Purchased services	2,500	7,500	4,798	(2,702)
Supplies and materials	1,300	1,300	787	(513)
Other	1,700	1,700	1,583	(117)
Total executive administration	185,970	189,370	188,442	(928)
School administration - office of the principal				
Salaries	235,165	255,809	255,531	(278)
Employee benefits	100,610	97,120	94,979	(2,141)
Purchased services	1,000	1,000	317	(683)
Supplies and materials	900	900	1,227	327
Other	1,400	1,400	478	(922)
Total office of the principal	339,075	356,229	352,532	(3,697)
School administration - other				
Supplies and materials	2,300	2,300	1,183	(1,117)
Business - fiscal services				
Salaries	52,510	54,000	53,981	(19)
Employee benefits	28,890	29,715	29,663	(52)
Purchased services	4,100	4,100	4,167	67
Supplies and materials	200	200	126	(74)
Other	250	209	209	-
Total fiscal services	85,950	88,224	88,146	(78)
Business - other				
Other	56,500	47,500	47,383	(117)

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - operating building services				
Salaries	\$ 203,100	\$ 199,000	\$ 202,198	\$ 3,198
Employee benefits	108,360	100,010	99,335	(675)
Purchased services	64,600	60,205	64,943	4,738
Supplies and materials	236,250	241,700	234,417	(7,283)
Other	1,000	-	-	-
Total operating building services	613,310	600,915	600,893	(22)
Pupil transportation services				
Salaries	172,500	178,000	182,984	4,984
Employee benefits	51,810	53,710	54,868	1,158
Purchased services	26,100	24,943	28,869	3,926
Supplies and materials	82,500	104,200	113,627	9,427
Other	7,600	10,600	10,740	140
Total transportation services	340,510	371,453	391,088	19,635
Central - staff/personnel services				
Purchased services	-	5,300	5,300	-
Central - support services technology				
Salaries	38,510	38,510	38,509	(1)
Employee benefits	16,880	16,940	16,926	(14)
Purchased services	24,400	24,820	24,343	(477)
Supplies and materials	8,000	8,000	4,499	(3,501)
Total support services technology	87,790	88,270	84,277	(3,993)
Intergovernmental payments				
Payments to other public schools	6,000	-	-	-

Pewamo-Westphalia Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Capital outlay				
Added needs - special education	\$ 2,000	\$ 1,500	\$ 1,175	\$ (325)
Pupil transportation services	<u>5,000</u>	<u>11,130</u>	<u>11,130</u>	<u>-</u>
Total capital outlay	<u>7,000</u>	<u>12,630</u>	<u>12,305</u>	<u>(325)</u>
Other financing uses				
Transfers out	<u>140,000</u>	<u>165,000</u>	<u>175,000</u>	<u>10,000</u>
Total expenditures and financing uses	<u>\$ 5,417,968</u>	<u>\$ 5,468,459</u>	<u>\$ 5,468,066</u>	<u>\$ (393)</u>

Pewamo-Westphalia Community Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2008

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
50/50	\$ -	\$ 5,460	\$ 5,460	\$ -
Acc Reader	31	-	31	-
AP Calculus	159	4,966	5,013	112
Art	400	-	387	13
Band	32	468	468	32
Band Boosters	28,127	46,200	33,594	40,733
Baseball	1,324	9,223	8,669	1,878
Boys Basketball	4,533	9,407	9,836	4,104
Career Forward	-	1,000	539	461
Cheerleaders	226	13,583	13,775	34
Class of 2005	232	-	-	232
Class of 2007	628	71	629	70
Class of 2008	2,263	2,130	3,885	508
Class of 2009	2,692	590	1,394	1,888
Class of 2010	1,269	1,664	275	2,658
Class of 2011	226	1,134	75	1,285
Class of 2012	942	13,380	13,108	1,214
Class of 2013	-	3,703	2,338	1,365
Drama	1,788	3,311	2,985	2,114
Die Cut Machine	-	2,500	-	2,500
Drivers Ed	4,595	9,340	11,604	2,331
Football	8,674	16,186	21,354	3,506
F.F.A.	2,360	572	500	2,432
Girls Basketball	419	16,759	16,663	515
Golf	1,213	-	265	948
High School Seminar	(257)	257	-	-
Jr. Cheerleading	1,165	1,416	2,143	438
Jr. High Student Council	3,090	1,107	1,439	2,758

Pewamo-Westphalia Community Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2008

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Jr. Track	207	15	220	2
JV Baseball	339	-	-	339
KC Special Ed	487	184	167	504
Kramer Scholarship	3	486	350	139
Library	125	19	128	16
Meijers	110	1,024	1,134	-
Milk Machine	370	71	-	441
National Honor Society	(22)	2,549	2,218	309
Office	4,648	4,554	3,841	5,361
Psy/Soc. Child	(4)	304	286	14
Quiz Bowl	140	110	250	-
Renaissance	310	-	-	310
Softball	1,142	5,703	4,889	1,956
Student Council	1,736	10,933	9,909	2,760
Track	1,869	2,471	2,939	1,401
Veteran's Project	-	200	-	200
Volleyball	6,410	1,267	3,954	3,723
Wood Shop	2,230	6,177	5,929	2,478
Yearbook	9,956	11,758	14,423	7,291
Elementary Fund	55,399	46,306	51,552	50,153
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Activity Funds	<u>\$ 151,586</u>	<u>\$ 258,558</u>	<u>\$ 258,618</u>	<u>\$ 151,526</u>

Pewamo-Westphalia Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2008

Year Ending June 30,	2002	2005	Durant	Total
2009	\$ 250,000	\$ 300,000	\$ 3,432	\$ 553,432
2010	250,000	295,000	3,595	548,595
2011	250,000	290,000	3,766	543,766
2012	250,000	290,000	3,945	543,945
2013	250,000	285,000	21,670	556,670
2014	250,000	290,000	-	540,000
2015	250,000	285,000	-	535,000
2016	250,000	285,000	-	535,000
2017	250,000	280,000	-	530,000
2018	250,000	280,000	-	530,000
2019	250,000	275,000	-	525,000
2020	250,000	275,000	-	525,000
2021	250,000	270,000	-	520,000
2022	250,000	265,000	-	515,000
2023	250,000	260,000	-	510,000
2024	250,000	-	-	250,000
2025	250,000	-	-	250,000
2026	250,000	-	-	250,000
2027	250,000	-	-	250,000
2028	250,000	-	-	250,000
Total	\$ 5,000,000	\$ 4,225,000	\$ 36,408	\$ 9,261,408
Principal payments due the first day of	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	
Interest rate	3.00% - 4.80%	3.50% - 5.00%	4.761353%	
Original issue	\$ 6,400,000	\$ 4,585,000	\$ 61,661	

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Members of the Board of Education
Pewamo-Westphalia Community Schools
Pewamo, Michigan

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Pewamo-Westphalia Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated August 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Pewamo-Westphalia Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pewamo-Westphalia Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pewamo-Westphalia Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pewamo-Westphalia Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, Michigan Department of Education and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
August 26, 2008